



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3252 Introduced on January 12, 2021
Author: White
Subject: V-SAFE Program
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Miller
Impact Date: February 18, 2022

Fiscal Impact Summary

This bill specifies which chartered fire departments are eligible to receive up to a \$40,000 grant under the Volunteer Strategic Assistance and Fire Equipment Program (V-SAFE) and increases the funding for the program by increasing the percentage of the insurance premium tax revenue that is allocated to the program to 4 percent and crediting 1 percent of the manufacturer's depreciation reimbursement amount to the program.

This bill will result in an increase in General Fund expenditures by \$149,000 in FY 2022-23 and \$129,000 each year thereafter for the Office of State Fire Marshal (OSFM), within the Department of Labor, License and Regulation (LLR), to hire and maintain 2.0 FTEs to manage the additional responsibilities associated with the issuance of more grants for V-SAFE. This bill will have no expenditure impact for the Revenue and Fiscal Affairs Office (RFA), as it can manage the inflation calculation for the grant amount with existing staff and appropriations.

This bill will result in an Other Funds revenue increase of \$7,796,000 for V-SAFE and a corresponding decrease to General Fund insurance premium tax revenue totaling \$6,860,000 in FY 2022-23. Additionally, the bill will shift approximately \$936,000 from the Trust Fund for Property Tax Relief to V-SAFE beginning in FY 2022-23. However, as the manufacturer's depreciation reimbursement is a dollar-for-dollar match, if this bill is interpreted to mean the dollar-for-dollar reimbursement remains the same then an additional amount equal to 1 percent of the reimbursement, or approximately \$936,000, will be deducted from the state income revenue and allocated to V-Safe. Under that instance, this will result in an additional transfer of approximately \$936,000 from the General Fund beginning in FY 2022-23.

This bill will result in a \$936,000 local property tax reimbursement revenue reduction due to the reallocation of 1 percent of the manufacturer's depreciation reimbursement amount to V-SAFE. However, as the manufacturer's depreciation reimbursement is a dollar-for-dollar match, if this bill is interpreted to mean the dollar-for-dollar reimbursement remains the same and an additional amount equal to 1 percent of the reimbursement is allocated to V-Safe, then there will be no local revenue impact.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

This bill specifies which chartered fire departments are eligible to receive up to a \$40,000 grant under V-SAFE. The \$40,000 grant limit will be increased annually by inflation and population, as determined by RFA. This bill also specifies that 4 percent of the total insurance premium tax revenue and 1 percent of the manufacturer's depreciation reimbursement within the Trust Fund for Property Tax Relief is to be allocated to V-SAFE. This bill defines a chartered fire department as any fire department that has a charter from the OSFM and specifies that only chartered fire departments with a 75 percent volunteer staff are eligible for a grant.

Currently, fire departments are created primarily by local ordinance or through special purpose district legislation. Also, chartered fire departments with at least 50 percent volunteer staff are eligible to receive a grant. Further, 1 percent of the total insurance premium tax revenue is allocated to V-SAFE.

This bill modifies the definition of chartered fire department and increases the minimum percentage of volunteer staff from 50 percent to 75 percent for grant eligibility purposes. Further, this bill increases the funding for the program by increasing the percentage of insurance premium tax revenue allocated to V-SAFE to 4 percent and transferring 1 percent of the manufacturer's depreciation reimbursement to the program.

LLR stated that the OSFM does not currently charter fire departments. In order to be able to do so, additional legislation will be needed to give the OSFM statutory authority to create chartered fire departments. LLR is also unsure how an OSFM chartered fire department will differ from or impact existing fire departments. Assuming that all fire departments become the OSFM chartered fire departments, according to LLR, there are currently 405 fire departments that meet the 50 percent volunteer staff requirement for grant eligibility. The increased percentage of volunteer staff required for grant eligibility will reduce the number of fire departments that are eligible to receive a grant to 313. As such, this bill will result in 92 fewer fire departments being eligible for a grant.

Additionally, LLR anticipates this bill will result in additional grant requests and approvals due to the increased funding for V-SAFE. The agency expects to hire 2.0 FTEs to manage these and other responsibilities created by this bill. A Grant Coordinator I will develop grant applications packets, test the application portal, and compile grant requests, among other responsibilities. LLR anticipates the Grant Coordinator I will have a salary of \$40,000 and a fringe of \$18,000. Also, LLR would hire a Program Coordinator I to establish and manage the program for the OSFM to charter fire districts. The Program Coordinator I will have a salary of \$49,000 and a fringe of \$22,000. Both positions will require a new computer and office set up at \$10,000 per new FTE. State Fire received 50 percent of the 1 percent tax on fire insurance premiums. This Other Fund revenue supports both the Fire Academy and the OSFM. However, LLR anticipates there will be insufficient existing Other Fund revenue to cover the increased expenditures. As this bill does not provide an Other Funds funding source for the additional duties, this will be a

General Fund expenditure. Therefore, this bill will result in an increase in General Fund expenditures by \$149,000 for the OSFM in FY 2022-23 and \$129,000 each year thereafter.

Further, this bill requires maximum grant amount be increased annually for inflation, as calculated by RFA. RFA will be able to manage this calculation with existing staff and within existing appropriations. Therefore, this bill will have no expenditure impact for RFA.

State Revenue

This bill specifies which fire departments are eligible to receive up to a \$40,000 grant through V-SAFE and how the grant money may be used. This bill also caps the amount of the V-SAFE funds that may be awarded to the South Carolina State Firefighter’s Association to the amount awarded in FY 2020-21. Additionally, this bill specifies that 4 percent of the total insurance premium tax revenue is to be allocated for V-SAFE. However, if general appropriations are reduced for at least 50 percent of the state agencies relative to the prior year’s appropriations or there are across the board cuts due to the reduction of the Board of Economic Advisors’ (BEA) forecast at the end of any quarter, then no additional funds may be transferred to V-SAFE. Further, this bill designates 1 percent of the manufacturer’s depreciation reimbursement amount to be credited to V-SAFE. This bill specifies it will take effect as of July 1, 2021. For purposes of this analysis, RFA anticipates this effective date will be updated to July 1, 2022.

Currently, 2 percent of the V-SAFE funds may be awarded to the South Carolina State Firefighter’s Association. This bill limits that award to no more than the amount awarded in FY 2020-21. LLR stated that no awards from V-SAFE were made to the South Carolina State Firefighter’s Association in FY 2020-221. Therefore, this bill will result in the South Carolina Firefighter’s Association being unable to receive any V-SAFE funds.

Additionally, currently, 1 percent of the insurance premium tax revenue collected pursuant to §38-7-20(A) is allocated to V-SAFE. Of the remaining 99 percent, 97.75 is allocated to the General Fund and the 1.25 percent is designated to other programs. This bill will increase the percentage of insurance premium tax allocated to V-SAFE by 3 percent and decrease the percentage allocated to the General Fund by the same amount.

The Department of Insurance provided the portion of the insurance premium tax revenue that was allocated to V-SAFE for FY 2020-21, which totaled \$2,023,729. Based on the February 15, 2022 BEA forecast, RFA anticipates a growth for the insurance premium tax revenue at 6.5 percent. The following table displays the estimated allocation for the insurance premium tax revenue for FY 2022-23 based on current law and the proposed change.

FY 2022-23 Estimated Insurance Premium Tax Allocation

	V-SAFE	OTHER FUNDS	GENERAL FUND
Current	\$2,287,000	\$2,858,000	\$223,530,000
Proposed	\$9,147,000	\$2,858,000	\$216,670,000
Change	\$6,860,000	\$0	(\$6,860,000)

As the table above shows, this bill will result in an increase in Other Fund revenue for V-SAFE and a corresponding decrease in General Fund revenue totaling \$6,860,000 beginning in FY 2022-23. However, in any fiscal year where the annual general appropriations are reduced for at least 50 percent of the state agencies relative to the prior year's appropriations or there are across the board cuts due to the reduction of the BEA's forecast at the end of a quarter, no additional funds may be transferred to V-SAFE.

Additionally, there is currently credited to the Trust Fund for Property Tax Relief an amount sufficient to reimburse locals for the manufacturer's depreciation exemption, pursuant to §12-37-935. The Trust Fund for Property Tax Relief is deducted from state income tax revenue. This bill designates 1 percent of this amount to be credited to V-SAFE. Based on the BEA's November 10, 2021 forecast, the amount to be designated for the manufacturer's depreciation exemption totals \$93,552,000 in FY 2022-23. This bill will shift approximately \$936,000 from the Trust Fund for Property Tax Relief to V-SAFE beginning in FY 2022-23. However, as the manufacturer's depreciation reimbursement is a dollar-for-dollar match, if this bill is interpreted to mean the dollar-for-dollar reimbursement remains the same and an additional amount equal to 1 percent of the reimbursement, or approximately \$936,000, will be deducted from the state income revenue and allocated to V-Safe. This will result in a decrease of approximately \$936,000 from the General Fund beginning in FY 2022-23.

To summarize, this bill will result in Other Funds revenue for V-SAFE totaling \$10,083,000, which is an increase of \$7,796,000 for V-SAFE and a corresponding decrease to General Fund insurance premium tax revenue totaling \$6,860,000 and a decrease in the Trust Fund for Property Tax Relief totaling \$936,000 beginning in FY 2022-23.

Local Expenditure

N/A

Local Revenue

This bill designates 1 percent of the manufacturer's depreciation reimbursement within the Trust Fund for Property Tax Relief to V-SAFE. Based on the BEA's November 10, 2021, forecast, the amount to be designated for the manufacturer's depreciation exemption totals \$93,552,000 in FY 2022-23. This bill will shift approximately \$936,000 from the Trust Fund for Property Tax Relief to V-SAFE beginning in FY 2022-23. Therefore, this bill will result in a decrease of local revenue statewide by \$936,000 beginning in FY 2022-23. However, as the manufacturer's depreciation reimbursement is a dollar-for-dollar match, if this bill is interpreted to mean the dollar-for-dollar reimbursement remains the same and an additional amount equal to 1 percent of the reimbursement is allocated to V-Safe, then there will be no local revenue impact.



Frank A. Rainwater, Executive Director